

## CALIFORNIA ANNUAL REPORT PAMPHLET FOR CONTINUING CARE PROVIDERS

Every provider which has obtained a provisional certificate of authority or certificate of authority, must submit an annual report of its financial condition to the California Department of Social Services (Department). The Department will mail a forms package and a resident list to each provider prior to its fiscal year end. These materials were developed to ensure standardized reporting. **Reserve reports and resident lists must be submitted on the single-sided forms supplied by the Department.**

Within **four** months after the provider's fiscal year end, the provider must submit **two** copies of all items, except updated resident lists, to:

**CONTINUING CARE CONTRACTS BRANCH  
CALIFORNIA DEPARTMENT OF SOCIAL SERVICES  
744 P STREET, M.S. 10-90  
SACRAMENTO, CALIFORNIA 95814**

### **PLEASE NOTE:**

#### **LATE FEE**

If the **complete** annual report is not received by the due date, the provider must pay a one thousand dollar (\$1000) late fee with the report, and an additional \$33 per day for each day over the first 30 days will be assessed. A check for the full amount of the late fee, payable to the Continuing Care Provider Fee Fund, must accompany the late report.

#### **TRUST FUND ALTERNATIVE:**

Any provider that is no longer entering into continuing care contracts and currently cares for 10 or fewer continuing care residents, may request permission from the Department to establish a *trust fund* or to secure a *performance bond* to ensure performance of its continuing care contract obligations. Such requests shall be made within 30 days after the provider's fiscal year end. Form 1-1, Form 1-2, Form 5-1, Form 5-2, Form 5-3, and Form 5-4 must be completed and submitted with the request. Also, include evidence of the *trust fund* or *performance bond* in an amount determined by calculating the required liquid reserve amount.

If you have any questions, please call the Continuing Care Contracts Branch at (916) 657-2592.

## **ANNUAL REPORT INSTRUCTIONS**

A **complete** report must include the provider's:

- **PART 1** – The provider's payment of the Continuing Care Provider Fee and fee calculation forms.
- **PART 2** – Certification by the provider's chief executive officer that the reports are correct, that each continuing care contract form in use or offered to new residents has been approved by the Department, and that the provider is maintaining the required liquid reserve and, if applicable, the required refund reserve.
- **PART 3** – Evidence of the provider's fidelity bond.
- **PART 4** – The provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- **PART 5** – The provider's audited reserve reports on Forms 5-1 through 5-5 with an accompanying certified public accountant's opinion thereon. All reconciliation schedules and all supplementing materials must be certified by a certified public accountant. (A sample auditor's opinion letter for the reserve reports is included in this instruction booklet on page 3.
- **PART 6** – The provider's "Continuing Care Retirement Community Disclosure Statement" for each community.
- **PART 7** – The provider's "Adjustments in Monthly Care Fees" form for each community.
- **PART 8** – Resident list(s) for the provider's communities.
- **REFUND RESERVE REPORT FOR REFUNDABLE CONTRACTS –**

**NOTE:** All providers that have entered into or assumed responsibility for refundable contracts must file a refund reserve report as part of their annual report. Contact the Department of Social Services, Continuing Care Contracts Branch for forms and instructions.

### **CAUTION:**

If the Department determines a provider's annual audited report needs further analysis and investigation, as a result of incomplete and inaccurate financial statements, significant financial deficiencies, development of work out plans to stabilize financial solvency, or for any other reason the provider shall reimburse the Department for reasonable actual costs incurred by the department or its representative.

## **IMPORTANT READ FIRST**

**The Department requires the direct method for reporting cash flows.** For required disclosures, see the American Institute of Certified Public Accountants' Audit and Accounting Guide, entitled, "Health Care Organizations" (June 1, 1996).

**All entries made on the forms must reconcile directly with the amounts stated, on the face of, or in the notes to, the financial statements.** If supporting schedules are used to show the amounts stated on the annual report forms, a two-way reconciliation is required; forms must reconcile to the applicable schedule and that schedule must reconcile to the financial statements.

**SAMPLE AUDITOR'S REPORT**  
**(for reserve report)**

To the Board of Directors  
(Name of Provider)

We have audited the accompanying continuing care reserve report of "*Provider*" as of "*Date*". The continuing care reserve report is the responsibility of "*Provider's*" management. Our responsibility is to express an opinion on the continuing care reserve report based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the continuing care reserve report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the continuing care reserve report. An audit of a continuing care reserve report also includes assessing the conformity with the provisions of California Health and Safety Code section 1792 in so far as they relate to accounting and reporting matters. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such continuing care reserve report presents fairly, in all material respects, the continuing care reserve requirements of "*Provider*" at "*Date*", in conformity with the report preparation provisions of California Health and Safety Code section 1792.

This report is intended solely for the information and use of the board of directors and management of "*Provider*" and for filing with the California Department of Social Services and should not be used for any other purposes. However, this report is a matter of public record and its distribution is not limited.

## **PART 1**

### **ANNUAL PROVIDER FEES**

Each provider that has obtained a provisional certificate of authority or certificate of authority shall submit an annual payment to the **Continuing Care Provider Fee Fund**. The amount of the fee shall be calculated as one-tenth of one percent of the portion of the total operating expenses, excluding debt service and depreciation, as reported on the provider's audited financial statements, allocated to continuing care contract residents. The allocation shall be based on the ratio of the mean number of continuing care residents to the mean number of total residents during the fiscal year. Amortized entrance fees are considered revenues and cannot be used as deductions from cash operating expenses. **Complete a separate Form 1-1 and a separate Form 1-2 for each community.**

Providers with 10 or fewer residents that have obtained permission to submit evidence of *trust fund* or *performance bond* in lieu of filing an annual report, must remit \$250 as a minimum annual provider fee.

#### **I. INSTRUCTIONS FOR FORM 1-1**

##### **PURPOSE OF FORM 1-1 RESIDENT POPULATION**

This form determines the mean number of residents and the mean number of continuing care residents at the community during the provider's fiscal year. It then calculates the ratio of continuing care residents to total residents using the two means.

Complete a **Form 1-1**, for each community care retirement community operated by the provider. Instructions for **Form 1-1** are as follows:

- [1]** On **Line 1**, enter the total number of continuing care residents, including all levels of care, residing at the provider's community at the beginning of the fiscal year.
- [2]** On **Line 2**, enter the total number of continuing care residents, including all levels of care, residing at the provider's community at the end of the fiscal year.
- [3]** Add **Line 1** and **Line 2**. Enter the results on **Line 3**.
- [4]** Multiply the Total on **Line 3** by ".50" to calculate the mean number of continuing care residents for the fiscal year. Enter the result on **Line 5**.
- [5]** On **Line 6**, enter the number of *all* residents, including all levels of care, residing at the provider's community at the beginning of the fiscal year.
- [6]** On **Line 7**, enter the number of *all* residents, including all levels of care, residing at the provider's community at the end of the fiscal year.

- [7] Add **Line 6** and **Line 7**. Enter the results on **Line 8**.
- [8] Multiply the total on **Line 8** by “.50” to calculate the mean number of *all* residents for the fiscal year. Enter the result on **Line 10**.
- [9] Divide **Line 5** by **Line 10** to determine the share of operating expenses allocable to continuing care residents. Round the result to two decimal places and enter that number on **Line 11**.

**NOTE:** Repeat this process and complete a separate Form 1-1 for each continuing care retirement community operated by the provider.

## **II. INSTRUCTIONS FOR FORM 1-2**

### **PURPOSE OF FORM 1-2 ANNUAL PROVIDER FEE**

This form determines the annual provider fee the provider must pay for each continuing care retirement community it operates. The form begins with the provider's total operating expenses for a single community and backs out depreciation and certain interest expenses. The form then determines the portion of the adjusted operating expenses that are allocable to the provider's continuing care residents. The provider fee is equal to .10% of those expenses.

Complete a **Form 1-2** for each continuing care retirement community operated by the provider. Instructions for **Form 1-2** are as follows:

**[1]** Enter Total Operating Expenses for the community as reported on the provider's audited financial statements.

**[a]** Enter Depreciation.

**[b]** Enter Debt Service (interest only)

**[2]** Add Line 1a and Line 1b.

**[3]** Subtract **Line 2** from **Line 1**. Enter subtotal on **Line 3**.

**[4]** Enter the percentage for allocating costs to continuing care residents stated in **Form 1-1, Line 11**, for the same community.

**[5]** Multiply **Line 3** by **Line 4**, enter result on **Line 5**.

**[6]** Multiply amount on **Line 5** by ".001", enter result on **Line 6**.

**NOTE:** A provider that operates more than one community must aggregate the amounts due for each community to determine its total provider fee obligation.

**[7]** Attach a check, cashier's check, or money order in the amount shown on **Line 6** (or the aggregate of the amounts shown on **Line 6** for each community) payable to:

Continuing Care Provider Fee Fund  
Account #84130

**NOTE:** Payment may be made with one check or separate checks for each community.

## **PART 2**

### **CERTIFICATION BY CHIEF EXECUTIVE OFFICER**

A certificate by the Chief Executive Officer (CEO) must be submitted with the annual report. This certificate must include the following:

- A statement that the annual report and any amendments thereto are correct to the best of his/her knowledge.
- A statement that each continuing care contract form in use or offered to new residents has been approved by the Department.
- A statement that, as of the date of the CEO's certification, the provider is maintaining the required liquid reserve and, if applicable, the required refund reserve.

## **PART 3**

### **EVIDENCE OF FIDELITY BOND**

The annual report shall include evidence that a fidelity bond or insurance policy is in force for any agent or employee, who, in the course of his or her agency or employment, has access to any substantial amount of funds. This requirement is separate from the bonding requirements of the residential care facility for the elderly regulations.

## **PART 4**

### **AUDITED FINANCIAL STATEMENTS**

Audited financial statements shall include the following:

Non-Profit Providers: Statement of Financial Position, Statement of Cash Flows, Statement of Activities with details of income and expenses by facility, and all required financial disclosures.

For-Profit Providers: Statement of Operations, Statement of Cash Flows, Balance Sheet, and all required financial disclosures.

Notes to the financial statements must include a statement that the calculation of the provider's obligation for future services has been performed, the nominal amount of the obligation, the discount rate used, and the results of the calculation, even if no liability is recorded.

Providers which own and operate other enterprises in addition to continuing care retirement communities shall include a consolidated statement of total operations in addition to financial statements for continuing care retirement communities.

Any provider that has a financial commitment from a parent organization, must also submit the audited financial statements of that organization.



## **PART 5**

### **LIQUID RESERVES**

#### **I. GENERAL INFORMATION**

##### **THE LIQUID RESERVE REQUIREMENT**

Each provider that has executed a continuing care contract or assumed obligations under a continuing care contract must maintain a liquid reserve. To maintain a liquid reserve, a provider is required to hold a certain amount or value of “qualifying assets”. The provider is not required to restrict, place into escrow, or set aside the qualifying assets it designates as its liquid reserve. The Department may under certain circumstances, however, require a provider to place the liquid reserve into an escrow.

##### **REQUIRED AMOUNT**

The amount a provider must hold as a liquid reserve is the sum of two amounts. The first is the amount that the provider must hold to cover its long-term debt service. This amount is referred to as a “debt service reserve” in the continuing care contract statutes. The second amount is the amount the provider must hold to cover 45 days net operating expenses. The continuing care contract statutes refer to this amount as the “operating expense reserve”. The debt service reserve and operating expense reserve amounts are calculated using Forms 5-1 through 5-4.

##### **ANNUAL REPORT**

All figures for the reserve calculations must be taken from the provider’s annual audited financial statements for its most recently completed fiscal year. Forms 5-1 through 5-5 must be filed by the provider as part of its annual report. The debt service reserve and operating expense reserve amounts determined on Forms 5-3 and 5-4 are then transferred to Form 5-5. Each provider must submit a Form 5-5 with its annual report to show the amount it must hold in liquid reserve for the next 12 months.

##### **QUARTERLY REPORT**

Providers must also file a Form 5-Q within 45 days following the end of each quarter during the provider’s fiscal year. The first Form 5-Q is required 15 days after the provider’s annual report. Form 5-Q shows the total amount that a provider must hold as its liquid reserve and identifies the qualified assets designated by the provider to satisfy the liquid reserve requirement.

**NOTE:** The qualifying assets designated by the provider to be its liquid reserve may not be subject to any liens, charges, judgments, garnishments, or creditors’ claims and may not be hypothecated, pledged as collateral, or otherwise encumbered in any manner. The only exception to this rule is that a provider may allow the qualifying assets designated as its liquid reserve to be subject to a general security pledge of assets or similar collateralization agreement that is part of the provider’s long-term capital debt covenants and is included in the provider’s long-term debt indenture or similar instrument.

##### **SPECIAL RULE FOR INACTIVE PROVIDERS**

Providers who have voluntarily and permanently discontinued entering into continuing care contracts may apply to the Department to reduce the amount they must hold in their liquid reserve. If approved by the Department, the reduced liquid reserve amount shall be based upon the percentage of the provider’s residents who have continuing care contracts.

**NOTE:** All figures entered on these forms must reconcile directly with the financial statements. If supporting schedules are used, a two-way reconciliation must be submitted in which the forms reconcile to the schedules and the schedules reconcile to the financial statements. If reconciliation schedules are not provided, the annual report will be considered incomplete and may result in late fees (see note on page 1).

## **II. INSTRUCTIONS FOR FORMS 5-1 through 5-3**

### **DEBT SERVICE RESERVE AMOUNT**

#### **PURPOSE OF FORMS 5-1 through 5-3**

Forms 5-1 through 5-3 are four worksheets that determine the amount a provider must hold in its liquid reserve for debt service.

- Form 5-1 calculates the total amount paid during the fiscal year to service long-term debt incurred prior to the reporting fiscal year.
- Form 5-2 calculates a statutorily defined estimate of the annual debt service for new long-term debt (incurred during the fiscal year).
- Form 5-3 determines the total debt service reserve amount by adding the amounts calculated on Form 5-1 and Form 5-2 to the total community leasehold or rental payments paid by the provider during the fiscal year.

**NOTE:** Providers must complete Forms 5-1 through 5-3 to determine the amount of liquid reserves they must hold as a debt service reserve. These forms require each provider to list **all** its long-term debt, not just long-term debt associated with continuing care operations. For purposes of these forms, long-term debt includes **any** debt owed by the provider that is not required to be repaid in full within 12 months of being incurred.

#### **A. FORM 5-1 - LONG-TERM DEBT INCURRED IN A PRIOR FISCAL YEAR**

This worksheet must be completed by each provider that has one or more long-term debt obligations that were incurred prior to the fiscal year for which this annual report is filed. Providers that do not have any long-term debt obligations incurred in a prior fiscal year should enter "0" at the bottom of column (e) and skip to Form 5-2. For each long term debt obligation incurred prior to the subject fiscal year:

- [1]** Enter the date the debt was incurred in **Column (a)**.

**NOTE:** Attach an additional sheet if additional space is necessary to list all pre-existing long-term debt obligations.

- [2]** Enter the total principal paid during the fiscal year in **Column (b)**.

**Note:** Include only those principal payments the provider was required to pay under the terms of debt instrument, do not include voluntary payments made by the provider to pay down the principal.

- [3]** Enter the total interest paid during the fiscal year in **Column (c)**.

- [4]** Enter any credit enhancement premiums paid during the fiscal year in **Column (d)**.
- [5]** For each debt obligation, add the amounts stated in **Column (b)**, **Column (c)**, and **Column (d)**, and enter the result in **Column (e)**.
- [6]** Add the amounts stated in **Column (e)** and enter the total at the bottom of that column.
- [7]** Repeat Step 6 for **Column (c)** and **Column (d)**.

**IMPORTANT:** Providers holding debt requiring a balloon payment that matures within 24 months of its just-ended fiscal year, must submit with its debt service reserve forms, a plan for refinancing or paying each such balloon debt obligation.

## **B. FORM 5-2 - LONG-TERM DEBT INCURRED DURING THE FISCAL YEAR**

This worksheet must be completed by each provider that has one or more long-term debt obligations that were incurred during the fiscal year for which the annual report is filed. Providers that did not incur any long-term debt obligations during the fiscal year should enter "0" at the bottom of column (e) and skip to Form 5-3. For each long term debt obligation incurred during the subject fiscal year:

**[1]** Enter the date the debt was incurred in **Column (a)**.

**[2]** Enter the total interest paid during the fiscal year in **Column (b)**.

**[3]** Enter the amount of the most recent payment in **Column (c)**.

**NOTE:** If the provider has not yet made a payment for a long-term debt obligation, enter the amount of the first scheduled payment.

**[4]** Enter in **Column (d)**, the number of payments the provider is scheduled to make during the first 12 months following the end of the fiscal year for which this annual report is filed.

**[5]** Multiply the amount in **Column (c)** by the number stated in **Column (d)**. Enter the result in **Column (e)**. This is the estimate of the provider's debt service payments required by the continuing care contract statutes to be used in calculating the provider's debt service reserve.

**NOTE:** The actual amounts to be paid by the provider during the next 12 months are not used for determining debt service on new debt when calculating the reserve requirement.

**[6]** Add the amounts stated in **Column (e)** and enter the total at the bottom of that column.

**[7]** Repeat Step 6 for **Column (b)** through **Column (d)**.

**IMPORTANT:** Providers holding debt requiring a balloon payment that matures within 24 months of its just-ended fiscal year, must submit with its debt service reserve forms, a plan for refinancing or paying each such balloon debt obligation.

### **C. FORM 5-3 - CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT**

This worksheet must be completed by all providers to compute the amount they must hold as a debt service reserve.

- [1]** Enter on **Line 1**, the total amount stated at the bottom of **Column (e)** on Form 5-1 for debt service obligation related to long-term debt incurred in a prior fiscal year.

**NOTE:** This is the total estimated annual debt service obligation attributable to long-term debt incurred in a prior fiscal year.

- [2]** Enter on **Line 2** the total amount stated at the bottom of **Column (e)** on Form 5-2 for debt service related to long-term debt incurred in the subject fiscal year.

**NOTE:** This is the total annual estimated debt obligation attributable to long-term debt incurred in the subject fiscal year.

- [3]** Enter the amount paid by the provider during the fiscal year to lease or rent property or facilities.

- [4]** Add **Lines 1** through **3** and enter the result on **Line 4**. **This is the total amount that the provider is required to hold in its liquid reserve for long-term debt service.**

### **III. INSTRUCTIONS FOR FORM 5-4 OPERATING EXPENSE RESERVE AMOUNT**

#### **PURPOSE OF FORM 5-4**

The purpose of this form is to calculate the amount a provider must hold for operating expenses in its liquid reserve.

- Form 5-4 calculates a provider's net operating expenses for the fiscal year by certain deductions from the operating expense amount stated in the provider's audited financial statements. Form 5-4 also calculates the amount of annual net operating expenses allocable to 45 days.

**NOTE:** Providers must complete Form 5-4 to determine the amount of liquid reserves they must hold to provide a reserve for operating expenses. For purposes of these worksheets, operating expenses include all the provider's expenses except those specified on Form 5-4.

#### **A. FORM 5-4 - CALCULATION OF NET OPERATING EXPENSES**

**IMPORTANT:** Complete a Form 5-4 for each community operated by the provider.

This form must be completed by all providers as follows:

- [1] On **Line 1**, enter the provider's total operating expenses for the community. This figure should be taken from the provider's audited financial statements.

**NOTE FOR NEW PROVIDERS:** A new provider that has commenced operating or opened a continuing care retirement community during the reported fiscal year must calculate its net operating expenses for that community by combining: (1) its actual expenses for the months it has operated; and (2) the projected operating expenses (as submitted to the Department with the provider's application) for the balance of the provider's first 12 months of operations. Attach a schedule showing the provider's calculation of its total operating expenses for purposes of Form 5-4.

- [2] On **Line 2a**, enter the interest paid by the provider on its long-term debt allocable to the specified community.

**NOTE:** The sum of the amounts shown on **Line 2a** may equal but not exceed the sum of the amounts stated on Form 5-1, **Column (c)** and Form 5-2, **Column (b)** as interest paid on long-term debt.

- [3] On **Line 2b**, enter any credit enhancement premiums paid by the provider in connection with its pre-existing long-term debt allocable to the specified community.

**NOTE:** The sum of the amounts shown on **Line 2b** may equal but not exceed the sum of the amounts stated on Form 5-1, **Column (d)**.

- [4] On **Line 2c**, enter the amount of depreciation recognized for the fiscal year on the provider's audited financial statements that is allocable to the specified community.

**NOTE:** The deduction for depreciation for each community is limited to the depreciation related to the operation of that continuing care retirement community.

- [5] On **Line 2d**, enter the amount of amortization attributable to the provider's continuing care retirement community recognized for the fiscal year on its audited financial statements.

- [6] On **Line 2e**, enter the amount the provider recognized as revenues received at its continuing care retirement community for services provided to persons who did not hold a continuing care contract.

**NOTE:** If a deduction is taken for this item, provide a detailed explanation of the deduction amount. This item should include service fees received from month-to-month residents and/or non-continuing care residents in assisted living units or the skilled nursing facility. It should also include reimbursements received for services provided to non-residents such as guest accommodations, meals, and parking.

- [7] On **Line 2f**, enter any extraordinary expenses attributed to the provider's continuing care retirement community incurred during the fiscal year that the Department has specifically authorized the provider to take as a deduction on this Form 5-4.

- [8] Add the amounts stated on **Lines 2a** through **2f** and enter the result on **Line 3**.

- [9] Subtract **Line 3** from **Line 1** and enter the result on **Line 4**. This is the provider's "net operating expenses" for purposes of determining the provider's operating expense reserve amount for the specified community.

- [10] Divide **Line 4** by 365 and enter the result on **Line 5**.

- [11] Multiply **Line 5** by 45 and enter the result on **Line 6**. **This is the amount the provider must maintain in its liquid reserve as an operating expenses reserve for the specified community.**



#### **IV. INSTRUCTIONS FOR FORM 5-5 and 5-Q** **ANNUAL RESERVE CERTIFICATION**

##### **PURPOSE OF FORM 5-5**

The purpose of Form 5-5 is to report the amounts each provider must hold for both its debt service reserve and its operating expense reserve. Form 5-Q is the quarterly report providers must file that lists the qualifying assets, and their respective values, designated by the provider as satisfying its reserve obligations.

##### **A. FORM 5-5 - ANNUAL RESERVE CALCULATION**

Providers must file a Form 5-5 with their annual report.

Complete Form 5-5 as follows:

[1] State the name of the provider and the provider's fiscal year end where indicated at the top of the form and in the first paragraph.

[2] On **Line 1** enter the amount stated on Form 5-3, **Line 4**. This is the amount the provider is required to hold as a debt service reserve. **SEE FOLLOWING NOTE.**

**NOTE:** Providers that have the department's written authorization to specify any other amount, must submit a copy of such authorization.

[3] On **Line 2** enter the amount stated on Form 5-4, **Line 6**. Providers who completed more than one Form 5-4 must add the amounts stated on Line 6 for each Form 5-4 and enter the result here. This is the amount the provider is required to hold as an operating expense reserve. **SEE FOLLOWING NOTE.**

**NOTE:** Providers that have the department's written authorization to specify any other amount, must submit a copy of such authorization.

[4] DO NOT COMPLETE the shaded area, Lines 4 through 16, of this form.

[5] The appropriate representative of the provider must complete the remainder of the form by signing, dating, and specifying their title where indicated.

## **B. FORM 5-Q - QUARTERLY RESERVE CALCULATION**

Providers must file their **first** Form 5-Q on or before the 15<sup>th</sup> day after the due date for their annual report. Thereafter, providers must file a Form 5-Q within 45 days after the end of each quarter during their fiscal year.

Complete Form 5-Q as follows:

- [1]** Follow instructions [1] through [3] above for Form 5-5.
- [2]** On **Line 4** through **Line 10** specify, for each type of qualifying asset held by the provider, the amount designated to satisfy the provider's debt service reserve obligation, and the amount designated to satisfy the provider's operating expense reserve obligation. Amounts indicated for each qualifying asset must be the fair market value of the designated asset at the end of the most recently ended quarter.

**NOTE:** The definitions and rules related to each type of qualifying asset are located in the Appendix at the back of this instruction booklet.

**NOTE:** The aggregate amount of qualifying assets designated to satisfy the provider's debt service reserve obligation must equal or exceed the amount of that obligation. Similarly, the aggregate amount of qualifying assets designated to satisfy the provider's operating expense reserve obligation must equal or exceed the amount of that obligation.

- [3]** Add the qualified asset amounts stated on **Line 4** through **Line 10** in the debt service reserve column. Enter the result on **Line 11**.
- [4]** Add the qualified asset amounts stated on **Line 4** through **Line 10** in the operating expense reserve column. Enter the result on **Line 12**.
- [5]** On **Line 13**, enter the amount stated on **Line 1**.
- [6]** On **Line 14**, enter the amount stated on **Line 2**.
- [7]** Subtract **Line 13** from **Line 11**. Enter the result on **Line 15**. If **Line 15** is a negative number, put parentheses around the amount.
- [8]** Subtract **Line 14** from **Line 12**. Enter the result on **Line 16**. If **Line 16** is a negative number, put parentheses around the amount.

**NOTE:** A negative number on **Line 15** indicates that the provider has not designated sufficient qualifying assets to satisfy its debt service reserve obligation. A negative number on **Line 16** indicates that the provider has not designated sufficient qualifying assets to satisfy its operating expense reserve obligation. In either event, the provider must designate additional qualifying assets to eliminate the deficiency.

**NOTE:** If the provider is not able to immediately designate sufficient qualifying assets to cure its deficiency, the provider must attach to Form 5-Q a plan to eliminate the deficiency as soon as prudently possible by increasing the designated qualifying assets where necessary. Certain providers are eligible to apply to the Department for an extension of time to comply with the liquid reserve requirements. Such extensions are available only to providers that held a certificate of authority on January 1, 2000, and who show in their application that an extension is necessary and consistent with the financial soundness of the provider.

- [9]** The appropriate representative of the provider must complete the remainder of the form by signing, dating, and specifying their title where indicated.

## PART 6

### CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE STATEMENT

#### **I. GENERAL INFORMATION**

All providers must deliver to depositors and prospective residents a copy of their **Continuing Care Retirement Community Disclosure Statement** before executing a deposit agreement or a continuing care agreement, or receiving any payment from a depositor or prospective resident.

A provider's Disclosure Statement must be updated by the provider when it completes its annual audited financial statements. The updated Disclosure Statement must be filed with the Department on or before the final filing date for the provider's annual report.

Providers are required to use the Disclosure Statement form provided by the Department. A copy of the Disclosure Statement form is included with these instructions and is also available from the Department upon request.

The Disclosure Statement requires two types of information: (1) information regarding the specific facility that is the subject of the Disclosure Statement, and (2) information pertaining to the provider. As a result, providers that operate more than one continuing care retirement community must complete a separate Disclosure Statement for each facility but on each Disclosure Statement the information pertaining to the provider should be the same.

#### **II. INSTRUCTIONS FOR COMPLETING THE DISCLOSURE STATEMENT**

This form must be completed by all providers as follows:

- [1] Complete page 1 of the form by providing the information specified. The information required on page 1 should describe or relate to the specific facility that is the subject of the disclosure. For example, the section entitled "number of units" requires information on the number of units at the subject facility, **not** the number of units the provider operates in all its facilities.
- [2] Page 2 of the form applies only to providers that operate a senior housing facility in addition to the continuing care retirement community that is the subject of the disclosure. Providers that meet this description must complete page 2 of the form by identifying each of their other facilities, as well as those facilities' respective addresses and phone numbers. For each CCRC listed indicate which, if any, offer life care contracts.
- [3] The first three sections of page three pertain to the provider. The required income and cash flow information, secured debt information, and financial ratio information must be completed by the provider on a consolidated basis. The last section on page three requires the provider to describe the monthly service fees charged at the subject facility. This section does not include or apply to rates charged by the provider at any other facility.

## **PART 7**

### **REPORT ON CCRC MONTHLY SERVICE FEES**

Complete **Form 7-1** to report adjustments in monthly service fees for each community operated by the provider. If no adjustments were made during the reporting period for a particular community, indicate by checking the box below Line [2].

**[1]** Enter the monthly service fees for each level of care at the beginning of the reporting period.

**[2]** Indicate the percentage increase in fees implemented during the reporting period.

**[3]** Indicate the date the fee increase was implemented. If more than 1 increase was implemented, indicate the dates for each increase.

**[4]** Check each of the appropriate boxes.

**[5]** Provide a concise explanation for the increase in monthly service fees including the amount of the increase.

**NOTE:** Providers shall retain all documents related to the development of adjusted fees at their respective communities for a period of at least three years, i.e., budgets, statements of operations, cost reports, used near the end of the prior fiscal year to develop adjustments implemented in the current reporting period. These documents must be available for review upon request by the Department.

## **PART 8**

### **RESIDENT LIST**

The Department will send each provider a list of continuing care residents as of the last annual report. The list will include life expectancies as of the provider's fiscal year end.

As part of the annual report, return the list showing additions and changes to enable the Department to update the database as of the end of the fiscal year covered by the audit report.

The total number of residents on the revised list shall reconcile with the number of residents shown on Form 1-1.

**NOTE:** With their first report, new communities shall submit all information in Columns 1 through 7 and Column 10 for all residents. Complete Columns 8 and 9, if applicable. New communities shall determine life expectancies from the assumption shown on page 25. This information will be entered into the Department's database. Each year after that, the Department will send a resident list to the provider.

- [1]** Enter each resident's last name in **Column 1**.
- [2]** Enter each resident's first name in **Column 2**.
- [3]** Enter the sex of each resident in **Column 3**.
- [4]** Enter each resident's life expectancy in **Column 4**.

Once a computer file is established, no changes in the life expectancy are required. The database will automatically calculate them based on the age as of the date of the listing.

If a provider has contracted with a resident under the age of 59 years, the computer list will show a "0.00" life expectancy. In this case, the provider must submit the methodology used to determine the resident's life expectancy.

- [5]** Enter each resident's birthdate in **Column 5**.
- [6]** Enter one of the following codes in **Column 6**:

"L" = Life care contract resident

"C" = Continuing care contract resident

"F" = Continuing care contract resident under 5-year plan. No life expectancy calculated.

- [7]** Enter the effective date of each resident's continuing care contract in **Column 7**.
- [8]** Enter one of the following codes in **Column 8**, when applicable:

“D” = Death

“W” = Withdrawal/termination of contract

**NOTE:** Residents moved from one level of care to another would not be indicated in this column. Level-of-care changes are to be made in **Column 10**, “Status”.

[9] Enter residents’ date of departure, whether death or withdrawal/termination of contract in **Column 9**, when applicable.

[10] Enter each resident’s level of care as of the last day of the fiscal year end, regardless of the resident’s level of care during the rest of the year in **Column 10**. To make changes, cross out the previous status and legibly indicate the new status.

The following status codes shall be used:

“1” = Residential living

“3” = Skilled nursing facility

“2” = Assisted living

“4” = Acute hospital

#### **TO ADD NEW RESIDENTS TO EXISTING LISTS:**

Print or type new data to be entered at the end of the listing or on a separate sheet of paper.

**TO CORRECT ENTRIES ON THE LIST:** (i.e., misspelled or changed names, incorrect birthdates, level of care (status) changes, etc.):

Cross out the incorrect data and legibly indicate correction.

<b>Age</b>	<b>Females</b>	<b>Males</b>
55	26.323	23.635
56	25.526	22.863
57	24.740	22.101
58	23.964	21.350
59	23.199	20.609
60	22.446	19.880
61	21.703	19.163
62	20.972	18.457
63	20.253	17.764
64	19.545	17.083
65	18.849	16.414
66	18.165	15.759
67	17.493	15.116
68	16.832	14.486
69	16.182	13.869
70	15.553	13.268
71	14.965	12.676
72	14.367	12.073
73	13.761	11.445
74	13.189	10.830
75	12.607	10.243
76	12.011	9.673
77	11.394	9.139
78	10.779	8.641
79	10.184	8.159
80	9.620	7.672
81	9.060	7.188
82	8.501	6.719

<b>Age</b>	<b>Females</b>	<b>Males</b>
83	7.952	6.269
84	7.438	5.854
85	6.956	5.475
86	6.494	5.124
87	6.054	4.806
88	5.613	4.513
89	5.200	4.236
90	4.838	3.957
91	4.501	3.670
92	4.175	3.388
93	3.862	3.129
94	3.579	2.903
95	3.329	2.705
96	3.109	2.533
97	2.914	2.384
98	2.741	2.254
99	2.584	2.137
100	2.433	2.026
101	2.289	1.919
102	2.152	1.818
103	2.022	1.723
104	1.899	1.637
105	1.784	1.563
106	1.679	1.510
107	1.588	1.500
108	1.522	1.500
109	1.500	1.500
110	1.500	1.500